

Message Text

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PAGE 01 DUBLIN 02907 01 OF 02 211804Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-05 H-02
L-03 NSC-05 PA-02 PRS-01 SS-15 IO-14 DOTE-00
INT-05 OES-07 DOE-12 SOE-01 NRC-07 /146 W
-----117308 211817Z /42

R 211603Z DEC 77
FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 9948
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY BONN
AMCONSUL BELFAST

UNCLAS SECTION 1 OF 2 DUBLIN 2907

USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ECON, EFIN, EI, PGOV, UK
SUBJECT: IRISH PRIME MINISTER SPEAKS ON STATE OF THE NATION

REF: A) DUBLIN A-101; B) DUBLIN 2788; C) DUBLIN 2494; D)
DUBLIN 2750

1. SUMMARY: PRIME MINISTER LYNCH OPENED THE TRADITIONAL PRE-CHRISTMAS ADJOURNMENT DEBATE WITH A STATE OF THE NATION REPORT CONCENTRATING LARGELY ON ECONOMIC ISSUES. THE STATEMENT CONFIRMED THE GENERAL OBJECTIVES OF FIANNA FAIL POLICY AND REVIEWED RECENT ECONOMIC TRENDS BUT CONTAINED LITTLE THAT WAS NEW. LYNCH IDENT-
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PAGE 02 DUBLIN 02907 01 OF 02 211804Z

IFIED UNEMPLOYMENT AS THE SINGLE MOST SERIOUS PROBLEM FACING THE COUNTRY (ALTHOUGH HE INDICATED LATER IN THE STATEMENT THAT "OUR CONCERN WITH NORTHERN IRELAND GOES EVEN DEEPER, IF THAT IS POSSIBLE"). LYNCH SUMMARIZED THE ALREADY ANNOUNCED SHORT-RUN GOVERNMENT PROGRAM TO STIMULATE THE ECONOMY AND PROVIDE JOBS, AND OBSERVED THAT A CRUCIAL FACTOR FOR SUSTAINED ECONOMIC IMPROVE-
MENT WAS THE CREATION OF CONDITIONS IN WHICH THE PRIVATE SECTOR

WOULD TAKE OVER AS THE PRIMARY AGENT FOR GROWTH AND INCREASED EMPLOYMENT. HE PUT IN A STRONG APPEAL FOR LABOR ACCEPTANCE OF LIMITING THE NEXT NATIONAL WAGE AGREEMENT TO A 5 PERCENT INCREASE OVER 1977, AND CONFIRMED THAT A GOVERNMENT REVIEW OF THE INDUSTRIAL RELATIONS STRUCTURE WOULD SOON COMMENCE. ECONOMIC CO-OPERATION WITH THE NORTH WAS CITED AS RELEVANT TO THE GOI'S STRATEGY ON EMPLOYMENT, AND LYNCH INDICATED THAT A GOI-HMG MINISTERIAL WOULD TAKE PLACE SOON ON THIS SUBJECT. IN AN APPARENT REFERENCE TO THE SCHEDULED RETURN TO NORTHERN IRELAND OF THE FIRST BATTALION, PARACHUTE REGIMENT, WHICH WAS INVOLVED IN THE 1972 "BLOODY SUNDAY" IN DERRY, LYNCH CALLED FOR CARE IN THE ASSIGNMENT OF SECURITY FORCES IN THE NORTH. THE PRIME MINISTER ALSO REITERATED THE GOVERNMENT'S COMMITMENT TO POWER SHARING, AND BELIEF THAT A LONG-TERM SOLUTION DEPENDS ON THE RECOGNITION OF THE LEGITIMACY OF THE ASPIRATIONS OF THE MAJORITY OF THE PEOPLE ON THE ISLAND TO UNITY. NOTES ON LYNCH'S MAIN THEMES FOLLOW IN PARAS TWO THROUGH SIX. END SUMMARY.

2. UNEMPLOYMENT - LYNCH IDENTIFIED THIS AS IRELAND'S SINGLE MOST SERIOUS PROBLEM, REITERATED THE PRE-ELECTION MANIFESTO'S GOALS FOR JOB CREATION AND OUTLINED SOME OF THE EFFORTS MADE TO DATE TO MINIMIZE UNEMPLOYMENT: AMONG THEM, THE CREATION OF NEW PUBLIC SERVICE JOBS, THE STIMULATION OF THE CONSTRUCTION SECTOR, AND THE ESTABLISHMENT OF AN EMPLOYMENT ACTION TEAM TO FIND JOBS FOR YOUNG PEOPLE. LYNCH EMPHASIZED THE IMPORTANCE OF THE PRIVATE SECTOR AND THE NECESSITY OF CREATING THE CONDITIONS UNDER WHICH UNCLASSIFIED

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PAGE 03 DUBLIN 02907 01 OF 02 211804Z

IT CAN TAKE OVER AS THE PRIMARY AGENT OF GROWTH IN THE ECONOMY. HE CITED AS HOPEFUL SIGNS IRELAND'S RELATIVELY IMPRESSIVE 1977 ESTIMATED REAL GROWTH RATES FOR GNP (5 PERCENT) AND INVESTMENT (15 PERCENT FOR MACHINERY AND EQUIPMENT), AND 35 PERCENT RISE IN EXPORTS (BY VALUE). (SEE REF. A).

3. PAY AND INCOMES - LYNCH MADE A STRONG PITCH FOR LABOR RESTRAINT IN THE NATIONAL WAGE NEGOTIATIONS, NOTHING THAT THE TALKS ARE NOT JUST ABOUT WAGES, BUT ALSO ABOUT THE CREATION OF NEW JOBS (THE GOVERNMENT TARGET FOR NEXT YEAR IS 25,000). THE ACCEPTANCE OF THE GOVERNMENT'S PROPOSAL TO LIMIT WAGE INCREASES TO 5 PERCENT SWEETENED BY DOWNWARD ADJUSTMENTS IN TAXATION) IS ESSENTIAL, HE SAID, TO ENABLE A SUBSTANTIAL REDUCTION IN INFLATION, TO MAINTAIN COMPETITIVENESS IN INTERNATIONAL MARKETS, AND TO PROVIDE FOR SUFFICIENT PROFIT MARGINS TO STIMULATE HIGH INVESTMENT LEVELS.(SEE REF A).

4. INDUSTRIAL RELATIONS - LYNCH ADMITTED THAT "CERTAIN ASPECTS OF INDUSTRIAL RELATIONS NOW GIVE RISE TO CONCERN," CITING AS MOST DISTURBING THE TENDENCY FOR SMALL GROUPS TO RESORT TO UNOFFICIAL ACTION WHICH CAN RESULT IN COMPLETE WORK STOPPAGES. HE INDICATED THAT A REVIEW WOULD SOON

COMMENCE TO MEET AN URGENT NEED FOR A FUNDAMENTAL RE-APPRAISAL OF INDUSTRIAL RELATIONS, AND THAT THE GOVERNMENT WOULD INTERVENE IF LABOR AND MANAGEMENT COULD NOT RESOLVE THEIR PROBLEMS. (SEE REF B).

5. INFRASTRUCTURE - LYNCH PLEDGED AN IMPROVED TRANSPORTATION NETWORK AND INDICATED THAT THE GOVERNMENT WOULD BE GIVING ITS CLOSEST ATTENTION TO RELIEVING THE HEAVY DEPENDENCE ON OVERSEAS OIL (WHICH MAY INDICATE THAT A DECISION IS APPROACHING ON THE QUESTION OF A POSSIBLE NUCLEAR POWER STATION. (SEE REF. C).

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PAGE 01 DUBLIN 02907 02 OF 02 211806Z
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UNCLAS SECTION 2 OF 2 DUBLIN 2907

6. NORTHERN IRELAND - LYNCH CITED THE ECONOMIC ADVANTAGES OF CROSSBORDER ECONOMIC COOPERATION AND CONFIRMED THAT AN IREISH-BRITISH MINISTERIAL MEETING WOULD OCCUR EARLY NEXT YEAR (SEE REF D). ON SECURITY, LYNCH STATED THAT THE SITUATION IN NORTHERN IRELAND SEEMS TO BE GETTING BETTER. HE WARNED THAT UNNECESSARY RISKS SHOULD BE AVOIDED -- THAT PARTICULAR CARE "MUST BE TAKEN.....IN THE DISPOSITION OF SECURITY FORCES OF A CERTAIN TYPE OR TRADITION IN PARTICULAR AREAS IN NORTHERN IRELAND," AN APPARENT REFERENCE TO THE

SCHEDULED ASSIGNMENT BY HMG OF THE FIRST BATTALION, FIRST
AIRBORNE REGIMENT TO ARMAGH. "OUR COMMITMENT", HE SAID, "TO
A SYSTEM OF POWER-SHARING OR PARTICIPATING ACCEPTABLE TO.....
BOTH SECTIONS OF THE COMMUNITY IN NORTHERN IRELAND IS WELL
KNOWN". ANY LONG-TERM SOLUTION DEPENDS ON THE "RECOGNITION
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PAGE 02 DUBLIN 02907 02 OF 02 211806Z

OF THE LEGITIMACY OF THE ASPIRATION OF THE MAJORITY OF THE
PEOPLE OF THE ISLAND TO UNITY, ACHIEVED BY CONSENT AND UNDER
AGREED INSTITUTIONS." HE CAREFULLY REFRAINED FROM ANY
MENTION OF A BRITISH WITHDRAWAL.

7. COMMENT: ALTHOUGH WIDE-RANGING, THE SPEECH WAS CAREFUL
TO AVOID SPECIFICS ON JUST HOW THE GOVERNMENT PLANS TO COPE
WITH SOME OF ITS THORNIEST PROBLEMS. THIS IS NORMAL IRISH
PRACTICE IN THE LEADUP TO THE BUDGET, WHICH WILL BE PRESENTED
ON FEBRUARY 1, 1978.SHANNON

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Message Attributes

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